

SOUTHGATE WATER SYSTEMS, INC.
Kennewick, WA

Balance Sheet
as of December 31, 2007 and 2006

	<u>12/31/2007</u>	<u>12/31/2006</u>
<u>Assets</u>		
Cash in Bank	\$ 5,313	\$ 7,532
Water System Property	610,781	587,009
Computer	3,516	3,516
Less Accumulated Depreciation	<u>(401,907)</u>	<u>(379,426)</u>
Total Assets	<u>\$ 217,703</u>	<u>\$ 218,631</u>
<u>Liabilities</u>		
Notes Payable to Owner	<u>\$ 640,156</u>	<u>\$ 613,112</u>
<u>Stockholders Equity (Deficit)</u>		
Capital Stock	90,809	90,809
Retained Earnings	<u>(513,262)</u>	<u>(485,290)</u>
Total Stockholders Equity (Deficit)	<u>(422,453)</u>	<u>(394,481)</u>
Total Liabilities & Stockholders Equity (Deficit)	<u>\$ 217,703</u>	<u>\$ 218,631</u>

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Kennewick, WA

Statement of Income
For the year ended December 31, 2007

Income

Water Revenue	\$ 39,227
Water Connection Fees	985
Sale of Water Rights	<u>10,000</u>

Total Income 50,212

Costs and Expenses

Engineering	\$ 2,380	
Water Testing	967	
Chemicals	602	
General Repairs	4,722	
Special Repairs	20,722	
Meter Reading	3,510	
Reimbursed Expenses	552	
Electricity	9,006	
Auto Expense	597	
Accounting	2,280	
Bookkeeper	900	
Billing and Collection Fees	4,710	
Office	936	
Computer Expenses	443	
Insurance	1,018	
Taxes	1,071	
Licenses	411	
Depreciation	<u>\$ 22,481</u>	<u>77,308</u>

Net Operating (Loss) (27,096)

Other Income

Interest Income	<u>95</u>
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Net (Loss) \$ (27,001)